VANCOUVER

HOUSING MARKET OUTLOOK

Canada Mortgage and Housing Corporation

New Home Market

A total of 18,914 housing units were started in the Vancouver CMA in 2005, down 3 per cent from the previous year. However, the 2005 total was still the second highest since 1994 when 20,473 housing starts were recorded. Fewer single detached housing starts were responsible for last year's decline, with 4,935 units beginning construction, down 12 per cent from 2004. Multiple unit starts, however, edged up 1 per cent to 13,979 units.

Despite robust demand, builders and developers were unable to increase production last year. The chief impediments were the available serviced and zoned land supply, length of time to obtain permits, high land costs, the rising cost of construction materials, and a scarcity of skilled trade workers. The geography of Greater Vancouver is unique among Canada's largest urban centres. While the North Shore Mountains and the Georgia Strait contribute to the region's liveability, they also act as natural barriers to residential development. The U.S. border and the Agricultural Land Reserve complete the region's encirclement, limiting suburban sprawl and making high density development an imperative.

Today, three-quarters of all housing starts are in multiple-unit projects, especially apartment condominiums. Building upward instead of across the landscape is necessary to accommodate the region's growing population. The more built-up the region becomes, the more difficult it is for home builders to find

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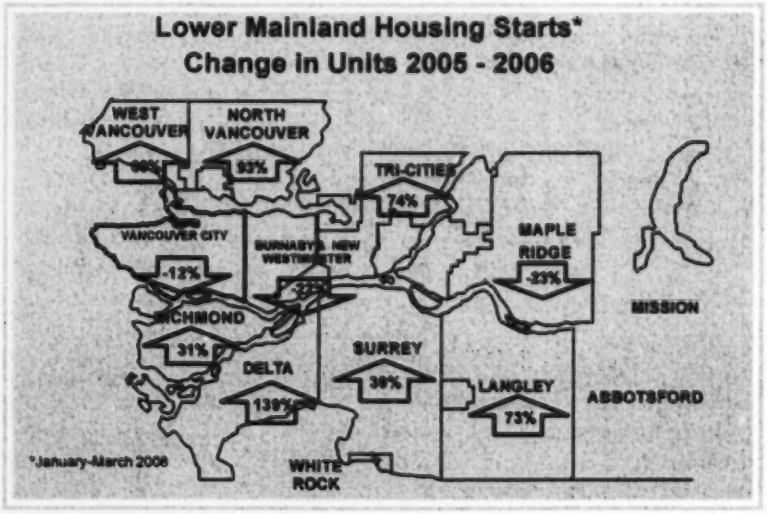

Canada

Spring 2006

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HOME TO CANADIANS

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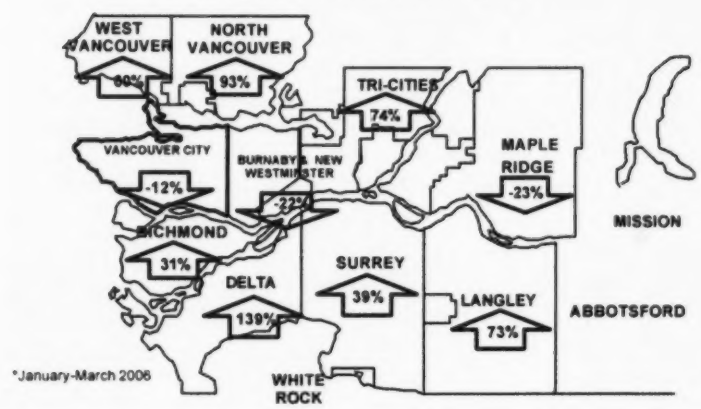
Lower Mainland Housing Starts*
Change in Units 2005 - 2006



*January-March 2006

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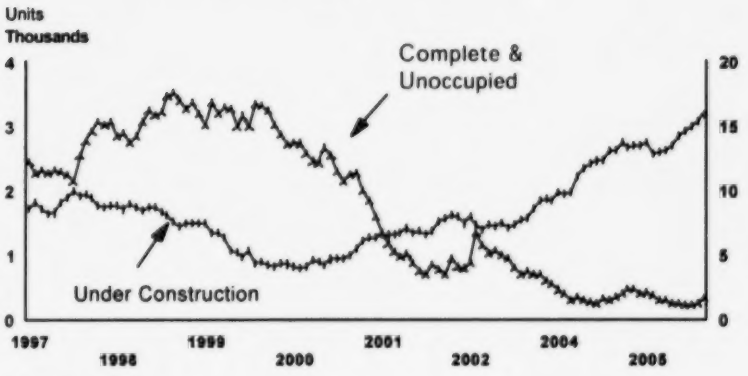
Condominium Supply: Vancouver CMA



Source: CMHC

appropriate sites to develop. The best sites sell first, making development of former industrial lands, smaller projects, and infill development necessary.

The difficulty is in the increased complexity of this kind of development, putting pressure on the permitting process and using up more resources to produce the same number of homes. A complementary factor is elevated land costs. As land scarcity enables landowners to name their price, many homebuilders simply choose not to buy certain development sites because they cannot realize a profit at the market price for a finished unit.

The scarcity of skilled trade workers puts further pressure home builders' ability to increase housing starts. The unemployment rate for construction workers in Vancouver averaged just 3.2 per cent in the first quarter of 2006. As the labour force nears full employment certain inefficiencies arise. Trade workers can become overbooked, contributing to longer completion periods and by extension, reducing the ability of builders and developers to increase the housing stock in a timely fashion.

Supply-side constraints like these will frame home building activity again his year. While the number of homes under construction is at historic highs, new home inventories remain low. At the end of the first quarter, there were a total of 775 units newly completed and unoccupied across the Vancouver CMA, down 33 per cent from the same time last year. Consumer demand remains robust and rapidly rising home prices are a signal that a sizable increase in the housing stock is in order.

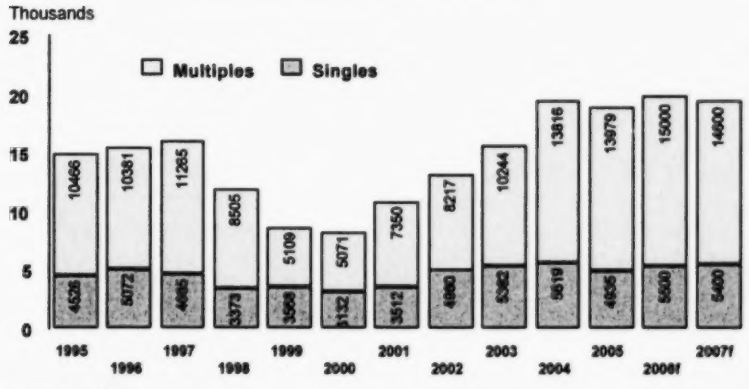
Capacity constraints tend to limit production until the bottlenecks get worked out. So far this year, it appears as if they have. Housing starts during the first quarter of 2006 increased 24 per cent to 5,093 units in the Vancouver CMA, over the same period last year. Multiple starts rose 18 per cent to 3,669 units, while single detached starts climbed 40 per cent to 1,124 units. Last year's dip in housing starts was only a short term problem.

Housing starts in the Vancouver CMA are forecast to increase 8 per cent to 20,500 units this year, which will be the highest number achieved during the current housing cycle. An increasing number of suburban building lots are responsible for the resurgence in single detached housing starts. This year, a total of 5,500 units are expected to start, an increase of 11 per cent over 2005. Multiple starts, particularly impacted by construction delays, are forecast to increase 7 per cent to 15,000 units in 2006.

Next year, housing starts in the Vancouver CMA are forecast to level off, achieving 20,000 units, a decline of 2 per cent over 2006. This plateau will be a result of the continuing struggle by builders and developers to increase their capacity to ramp up construction. Single detached starts are expected to decline 2 per cent to 5,400 units, while multiple starts are forecast to wane 3 per cent to 14,600 units. Higher levels of housing starts this year and next will result in home buyers having a greater selection of new homes to choose from.

The Abbotsford CMA is forecast to experience a 9 per cent increase in hous-

Housing Starts: Vancouver CMA



Source: CMHC

ing starts this year, for a total of 1,100 units. Single detached starts are expected to increase 7 per cent to 490 units. While the Abbotsford CMA is often considered to be abundant in developable land for housing, it is circumscribed by the Agricultural Land Reserve, and subdivision development is now largely atop the local hillsides. This restricts the number of homes that can be built and substantially increases the development cost as roads and building sites often must carved out of bedrock.

Multiple housing starts have experienced a sharp upturn in the last few years after lagging behind for almost a decade. Dwindling inventories of completed and unoccupied units, land constraints, and affordability are driving a new explosion of multi-family dwellings in Abbotsford, which now comprise more than half of all housing starts in this suburban market. An increase in multiple starts of 10 per cent to 640 units is forecast for this year.

Strong consumer demand for the relatively less expensive Abbotsford market will drive housing starts even higher in 2007. Total starts are forecast to rise 5 per cent to 1,150 units next year. Single detached starts are expected to increase 2 per cent to 500 units, while multiple starts will continue to grow at a 7 per cent pace to 650 units. Marked increases in employment growth and migration will be significant drivers of the Abbotsford housing market over the next two years.

New home prices in the Vancouver and Abbotsford CMA are forecast to continue rising this year and next. The cost of construction materials and labour will push new home prices up between 8-14 per cent this year and 7-11 per cent in 2007. Canada Mortgage and Housing Corporation (CMHC) records new home prices when homebuyers move into the property. The rate of price growth is expected to be higher in the multi-family category, reflecting the longer time period between when the project was started and when the unit is completed and absorbed.

The new home market will experience robust consumer demand over the two year forecast horizon. However, new home prices will continue to be pushed up by rising construction costs. It likely will not be until 2008 that new home inventories increase to the point where the market can be considered balanced. Until then, consumers will have to be content with purchasing a new home as a pre-sale in advance of construction completion.

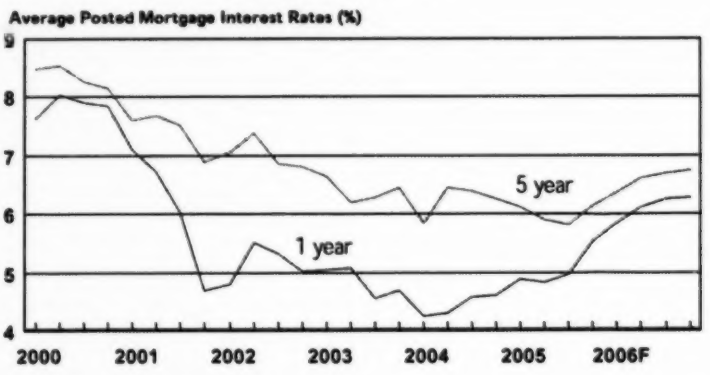
Interest/Mortgage Rates

Economic growth in 2006 is forecast to be near its potential of 3.0 per cent in Canada, while the U.S. economy is forecast to grow by about 3.5 per cent. Despite upward pressure on inflation from high energy costs, the overall inflation rate remains within the Bank of Canada's 1.0-3.0 per cent target range, meaning only moderate interest rate increases are likely this year.

A combination of factors will keep the Canadian dollar over 85 cents U.S. in 2006. These include a narrowing of the spread between U.S. and Canadian interest rates, robust demand for commodities, strong commodity prices (particularly energy prices), and sizable merchandise trade and government budget surpluses in Canada. Substantial trade and budget deficits, the heavy debt burden of consumers, sustained high crude oil prices, and higher inflation in the U.S. pose some risk to economic growth in that country, which could adversely impact Canadian exports, economic growth, and interest rates.

The monetary tightening cycle is expected to continue in the U.S. and Canada this year. In the U.S., short term interest rates are expected to increase by 50-75 basis points, while longer-term interest rates are forecast to rise by 25-50 basis points. Canadian short-term rates are expected to increase by 75-100 basis points in 2006. Longer-term interest rates in Canada are forecast to increase by 25-75 basis points over the same period. While still low by historical standards, Canadian mortgage rates are expected to rise moderately as well this year. One and five-year mortgage rates are forecast to be in the 5.75-6.75 and 6.25-7.25 per cent range respectively in 2006. In 2007, interest and mortgage rates in both Canada and the U.S. are expected to stay within 25 basis points of their 2006 levels.

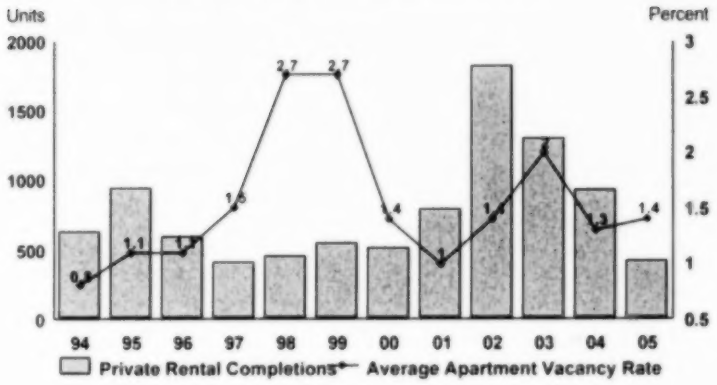
Mortgage Rates: Canada



Source: Statistics Canada, CMHC Forecast

Rental Market

Rental Completions: Vancouver CMA



The vacancy rate in Vancouver increased slightly from 1.3 per cent in October 2004 to 1.4 per cent in October 2005. Despite the increase, the vacancy rate remains below the fifteen-year average of 1.5 per cent. Demand for rental accommodation in Vancouver has remained strong despite a high level of first-time buyer activity, driven by low mortgage rates. It is also important to note that while many renter households have purchased new condominiums, these are pre-sale units and construction delays are keeping them in their rental apartments longer than expected. In addition, the robust Vancouver economy has generated strong employment growth, which is drawing an increased number of migrants, many of whom will choose to rent upon arrival before they buy.

The overall stock of privately initiated rental housing has remained constant for nearly a decade and is not expected to change. The main reason is that building rental accommodation is not as economically viable as it once was in many areas.

In large part this is driven by high land prices fuelled by condominium developers competing for development sites. However, an additional supply of rental accommodation is being furnished by small investors, who are purchasing condominiums for the sole purpose of renting them out. This much needed informal rental housing has helped to keep vacancies up near their historical average.

Rents in the Vancouver CMA tend to increase at the rate of inflation. This is partly due to the aging rental stock and provincial legislation limiting rent increases for existing tenants. However, it is necessary to also consider capitalization rates which influence the selling price of rental apartment buildings. As capitalization rates edge lower, rental apartment buildings sell for more.

In turn, it is expected that an increasing number of buildings will undergo renovations over the next few years, thereby, enabling building owners to maximize their return on investment. This means that rents will face upward pressure in the coming months and years as renovated units achieve higher rent levels.

Average rents for larger apartments in Vancouver have experienced the largest increases over the last year. However, more dramatic rent increases have also encouraged higher vacancies in larger units as consumers seek to maximize their housing dollar. The average vacancy rate on privately initiated rental housing is forecast to edge up to 1.5 per cent in October of this year, with average rents climbing in the 3 per cent range.

The Resale Market

Greater Vancouver

Home buying in Greater Vancouver took off again last year. A robust economy, continuing low mortgage rates, and strong consumer confidence induced many households to buy a home. A total of 40,986 homes traded hands through the Real Estate Board of Greater Vancouver (REBGV) multiple listing service "MLS®" last year, the highest number ever recorded.

In the REBGV area, townhouses sales experienced the largest year-over-year gain, up 17 per cent. Home buyers who prefer ground-oriented accommodation are increasingly looking to townhouses as an affordable option to higher priced single detached homes. Apartment sales climbed 14 per cent, while single detached sales rose 13 per cent last year.

While total sales increased 11 per cent last year, the average number of active listings fell 1 per cent to 9,567, the second lowest level in 15 years. Listings of single detached homes were particularly scarce, averaging 4,468 units in 2005, the lowest level in more than 20 years. The result of record consumer demand and dwindling inventories was a sales to listings ratio that

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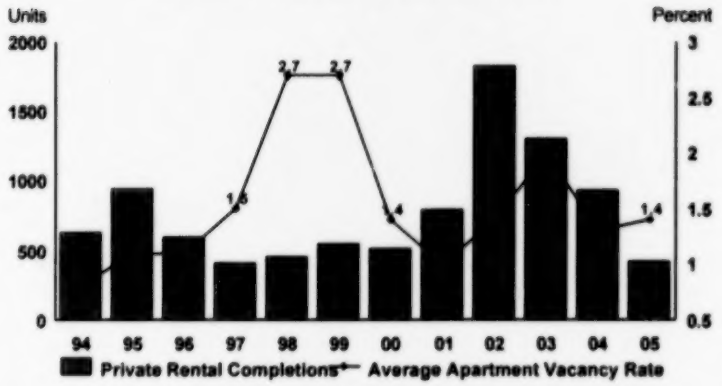

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averaged 36 per cent. CMHC evaluates this ratio as strong sellers' market conditions in Greater Vancouver for the duration of the year.

This imbalance between supply and demand boosted home prices again in 2005. The average year-over-year sales price recorded by the REBGV increased 13 per cent to a record $427,469. Townhouses posted the largest price increase, climbing 15 per cent to $362,847. The sales price of an apartment unit averaged $296,036 last year, up 14 per cent from the year before. Single detached home prices experienced the smallest increase; however, a 12 per cent jump to $587,484 was still 4 times the rate of inflation.

MLS® home sales are forecast to post another record year in 2006, climbing 1 per cent to 41,400 units. Strong job growth, low unemployment, and rising wages will continue to underpin housing demand. However, exuberant consumer demand is expected to be tempered by the availability of homes for sale. Active listings through the REBGV are not expected to rise sharply this year and as a result, home prices will continue their upward trend.

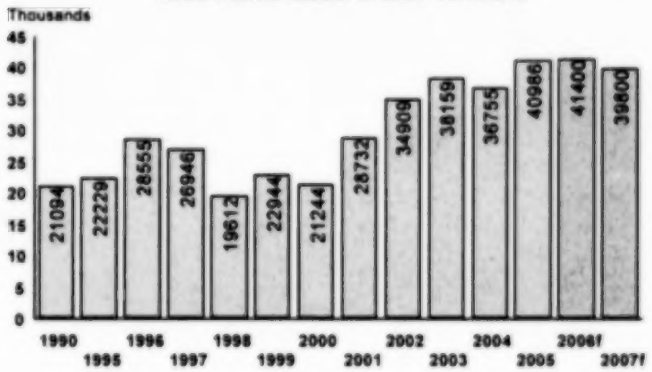
Next year, MLS® home sales are forecast to dip 4 per cent to 39,800 units. High home prices combined with gradually rising mortgage rates will likely erode affordability, among general consumers, to the point where housing demand will begin to moderate. As demand begins to slow, it is expected that the number of active listings will increase, leading to a stabilization of home prices. This will be a welcome relief for many intending to buy housing, but have been left on the sidelines by either lack of supply or multiple offers that result in escalating home prices.

Robust demand and limited home listings will push prices up again this year. Single detached homes will garner the largest increase, averaging $700,000 in 2006, a 19 per cent gain. With single detached homes declining in proportion to the total housing stock, competition for this home type will continue to bid up sale prices.

Townhouse prices are forecast to average $410,000 in 2006, up 13 per cent from last year. Meanwhile, after achieving significant price increases over the last few years, an expected influx of listings will contribute to an 11 per cent increase in the average apartment price this year.

Looking forward, home prices will begin to stabilize in 2007. Eroding affordability, among an increasing number of households intending to buy, is expected slow price momentum to near the inflation rate. Single detached home prices are forecast to increase 4 per cent to $725,000 on average next year. Townhouse and apartment homes are expected to increase by 2 per cent to $420,000 and $335,000 respectively.

MLS Home Sales: Greater Vancouver



Source: REBGV, CMHC Forecast

Sales to New Listings Ratio
Greater Vancouver

Source: REBGV, CMHC

Fraser Valley

The Fraser Valley Real Estate Board (FVREB) also posted a record year, with 18,662 single detached, townhouse, and apartment homes trading hands in 2005. Sales of Fraser Valley condominiums, the most affordable accommodation in the Lower Mainland, climbed 28 per cent to 7,869 units last year. A total of 10,793 single detached homes were

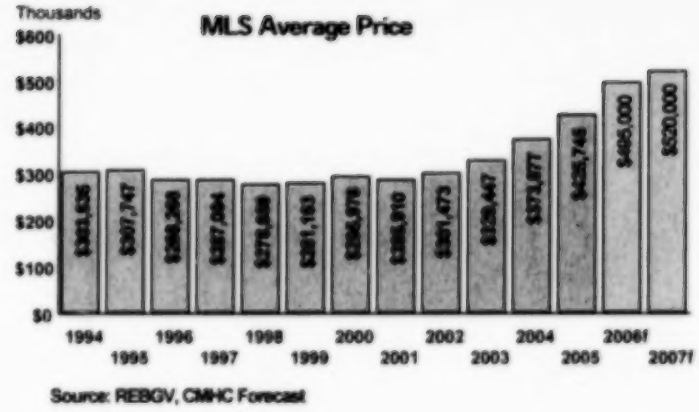
sold through the FVREB, up 12 per cent from the previous year.

MLS® inventories were also low in the Fraser Valley last year. Strong sales activity catapulted the sales to new listings ratio to 76 per cent, the highest annual average in more than 20 years. The sales to new listings ratio for condominiums rose even higher, averaging 87 per cent in 2005. This indicates a marked imbalance between demand and supply. In general, the higher the sales to new listings ratio, the more upward pressure there is on prices.

The average price of a condominium sold through the FVREB reached $197,810 in 2005, up 14 per cent from the previous year. Being relatively less expensive, Fraser Valley condominiums are fast becoming a favourite among first-time buyers. Meanwhile, single detached home prices in the Fraser Valley rose 12 per cent, averaging $391,654 last year. This record price for a single detached home was still 33 per cent less than the REBGV average price for the same home type.

MLS® sales in the Fraser Valley are forecast to increase 3.5 per cent this year. Consumers, concerned about maximizing their home buying dollar, will increasingly canvass the suburban markets for the best value. Sales of single detached homes are expected to increase 5 per cent to 11,300 units this year as many families opt for the Fraser Valley and its relatively less expensive ground oriented housing. Condominium sales, both townhouse and apartment, are expected to rise 2 per cent to 8,000 units in 2006.

As in the REBGV area, sales in the Fraser Valley are forecast to level off in 2007. Affordability constraints and increasing competition from the new



Source: REBGV, CMHC Forecast

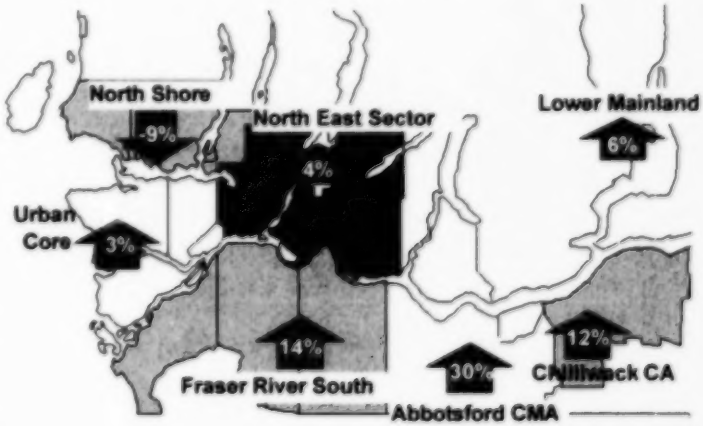
home sector will level home sales at 19,200 units. Single detached home sales are expected to dip 3 per cent to 11,000 units, while condominium sales are forecast to increase 2 per cent to 8,200 units next year.

Fraser Valley home prices will climb higher in 2006. The largest gain will occur for condominiums. The average condominium sale price this year is forecast to rise 19 per cent to $235,000. Strong demand from young buyers and empty nesters will put upward pressure on prices again this year. In addition, with a large proportion of Fraser Valley condominiums that are less than 10 years old, the number of units being resold for the first time is increasing. This operates to elevate the average as the asking prices for newer units are typically higher.

Single detached home prices are forecast to increase a further 14 per cent to $445,000 on average in 2006. High prices near the Vancouver metropolis will drive many buyers of single detached homes to the Fraser Valley. Home prices are forecast to increase again next year. Condominiums will experience an average gain of 6 per cent to $250,000, while single detached home prices are expected to rise 4 per cent to $445,000 on average.

Total MLS Sales

1st Quarter 2006 (% change from 2005)



Source: CREA

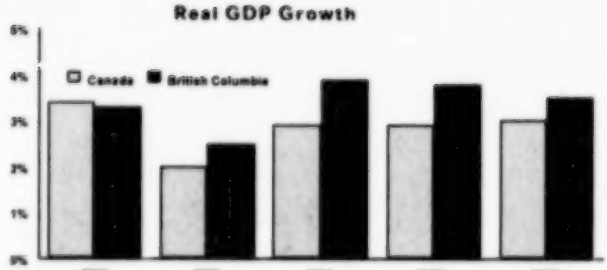
Economic Outlook

Economic growth in the western provinces will continue to outpace the rest of Canada over the next two years. While the Alberta oil patch will drive its economic output, measured as gross domestic product (GDP), up a staggering 4.6 per cent this year, BC's economy is expected to grow by a healthy 3.5 per cent. Robust demand for resources combined with increased consumer spending and a booming construction sector are the key drivers of BC's economy.

Energy has now supplanted pulp and paper as the province's number two export. Last year, energy made up 22 per cent of all BC exports by dollar value ($7.6 Billion), up from 15 per cent the previous year. Mining activity, as well, posted significant gains. Exports in this sector climbed 29 per cent last year. Strong demand for energy and minerals from the U.S. and China is expected to keep BC exports on a strong footing through 2007. Port of Vancouver shipments were up 7.8 per cent in 2005, compared to 2004. Business incorporations in Greater Vancouver jumped 24 per cent in 2005 to 20,824.

Forest sector exports, however, slipped last year, offsetting the increase in shipments of other non-energy commodities. Softwood lumber exports dipped 9 per cent, contributing to a decline in solid wood products of 5.8 per cent. Pulp and paper exports also struggled, sliding 7.5 per cent in 2005. Overall, however, total B.C. exports increased 10 per cent last year, and are expected to reach a ten year high in 2006. Greater Vancouver will benefit from increased demand for producer services, transportation, and material supplies.

Real GDP Growth



Source: Stats Can, CMHC Forecast

In the 12 months ending January, retail sales increased by 5.7 per cent and are expected to grow in the 5-6 per cent range through 2006. Closer to home, retail sales in Greater Vancouver were not nearly as strong, rising by only 1.5 per cent in 2005. However, sales are trending up, with fourth quarter transactions increasing by 3.2 per cent.

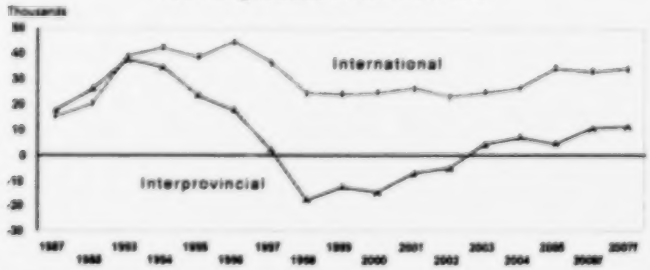
Strong economic growth has shortened the unemployment lines. The unemployment rate in BC fell to 4.4 per cent in March from 6.5 per cent in March 2005. In Greater Vancouver, the rate fell from 6 per cent in January 2005 to 4.5 per cent in January 2006. Job growth, an important component to housing demand, increased 3.3 per cent in BC last year, the highest growth rate in the country. A total of 67,800 jobs were created in the province in 2005, with 28,200 (+2.5%) occurring in the Greater Vancouver area. In 2006, employment is forecast to increase by 2.9 per cent in BC, and 2.3 per cent in Greater Vancouver.

Construction employment accounted for the largest rate of job growth in the province again last year, climbing 16.7 per cent through the hiring of 24,000 additional workers. These jobs were widely distributed throughout the province, with Greater Vancouver seeing only 6,500 new construction workers, a growth rate of 8.8 per cent. Given that Greater Vancouver garners more than 50 per cent of provincial housing starts, the shortage of construction workers will likely continue through the balance of 2006.

Job opportunities are expected to draw more migrants from other provinces. Net inter-provincial migration is forecast to reach 10,500 this year, up from 4,527 in 2005. In Greater Vancouver, net inter-provincial migration is expected to increase from 2,145 in 2005 to 3,500 this year. Migrants from other countries form the majority of newcomers to the province. BC typically attracts 15 per cent of all international migrants in Canada.

This year, 33,000 net international migrants are forecast to land in BC, with the majority heading to Greater Vancouver. Total net migration from all sources is forecast to reach 48,500 in the province and 31,000 in Greater Vancouver. These market fundamentals are both strong and enduring, and will form the foundation to a continuing robust housing market this year.

Net Migration: British Columbia



Source: Statistics Canada, CMHC Forecast

Forecast Summary

	2004	2005	%CH	2006	%CH	2007	%CH
RESALE MARKET FORECASTS							
MLS - GREATER VANCOUVER							
Single Detached	14,885	16,847	13%	17,000	1%	16,500	-3%
Townhouse	5,842	6,854	17%	6,800	-1%	6,500	-4%
Apartment	16,028	17,285	14%	17,600	2%	16,800	-5%
MLS - FRASER VALLEY							
Single Detached	9,600	10,793	12%	11,300	5%	11,000	-3%
Condo	6,148	7,869	28%	8,000	2%	8,200	2%
MLS - TOTAL SALES	52,503	59,648	14%	60,700	2%	59,000	-3%
Single Detached	24,485	27,640	13%	28,300	2%	27,500	-3%
Condo	28,018	32,008	14%	32,400	1%	31,500	-3%
AVERAGE MLS PRICE - GVA							
Single Detached	$526,798	$587,484	12%	$700,000	19%	$725,000	4%
Townhouse	$315,295	$362,847	15%	$410,000	13%	$420,000	2%
Apartment	$258,936	$296,036	14%	$330,000	11%	$335,000	2%
MLS - FRASER VALLEY							
Single Detached	$348,974	$391,654	12%	$445,000	14%	$465,000	4%
Condo	$173,571	$197,810	14%	$235,000	19%	$250,000	6%
NEW HOUSING FORECASTS							
STARTS							
VANCOUVER CMA							
Total	19,435	18,914	-3%	20,500	8%	20,000	-2%
Single-Detached	5,619	4,935	-12%	5,500	11%	5,400	-2%
Multi-Family	13,816	13,979	1%	15,000	7%	14,600	-3%
ABBOTSFORD CMA							
Total	1,083	1,012	-7%	1,100	9%	1,150	5%
Single-Detached	607	458	-25%	490	7%	500	2%
Multi-family	476	554	16%	610	10%	650	7%
AVERAGE PRICE							
VANCOUVER CMA							
Single-Detached	$553,459	$611,333	10%	$685,000	12%	$730,000	7%
Townhouse	$302,793	$313,497	4%	$345,000	10%	$380,000	10%
Apartment	$314,016	$327,336	4%	$360,000	10%	$400,000	11%
ABBOTSFORD CMA							
Single Detached	$341,016	$380,360	12%	$435,000	14%	$465,000	7%
Townhouse	$243,401	$268,929	10%	$290,000	8%	$320,000	10%

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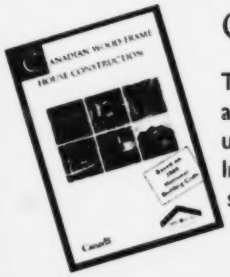

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